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DEPARTMENT FOR NEA/ARP, NEA/I, AND EEB/CIP/BA

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TAGS: [ECPS](#) [PGOV](#) [IR](#) [AE](#)  
SUBJECT: UAE'S ETISALAT WINS IRANIAN MOBILE LICENSE

CLASSIFIED BY AMBASSADOR RICHARD G. OLSON FOR REASONS 1.4 B AND D

REF: ABU DHABI 126

¶1. (SBU) On January 13, UAE-based telecom operator Etisalat (Emirates Telecommunications Corporation, [www.etisalat.ae](http://www.etisalat.ae)) announced it had won Iran's third mobile network license for USD 399 million. Etisalat is majority owned by the UAE Government through the Ministry of Finance and Emirates Investment Authority. Etisalat will own 49% of the consortium in Iran, with the remainder held by Iran's Tameen Telecom, which is owned by the Iran Social Security Organization (ISSO). Etisalat has announced it expects to invest over USD 1 billion in Iran, as part of its continued international expansion. Etisalat also has investments in 18 other countries, including Saudi Arabia, Pakistan, Nigeria and Sudan.

¶2. (C) Etisalat CEO Mohammed Al Qamzi told EconOff and Senior Commercial Officer (SCO) on February 4 that Etisalat saw the venture as a key opportunity to enter the large Iranian market. Al Qamzi said that he was "very concerned" about the deal, which was difficult to secure and likely to be unprofitable in the near term. However, Etisalat felt that license opportunities are rare and the Iranian market too large to pass up. Mobile penetration is low despite the country's large population, and thus likely to grow rapidly in coming years. Al Qamzi said the two year exclusive license for 3G operations would ultimately bring market share and profitability to the enterprise. He opined that much in Iran is likely to change in coming years.

¶3. (S/NF) Al Qamzi said Etisalat chose ISSO as its partner in an effort to avoid overt political connections. In particular, he said Etisalat sought to avoid the Khamenei crowd and the competing Rafsanjani group (both of whom he described in disparaging terms). Although Etisalat has a minority stake in the consortium, it will maintain management control over the enterprise - a key factor in its foreign investments. Al Qamzi said that China -- Iran's only access to capital (nfi) -- would likely provide some financing for the Iranian stake in the deal.

¶4. (C) Comment. While the investment appears largely a commercial enterprise, it is likely that there was a degree of political consideration involved. As reftel reported in detail, the UAE often seeks to balance its political and security concerns about Iran with economic and cultural engagement (although actual UAE investment in Iran has been minimal, making this a significant new direction for a state-affiliated corporation). End Comment.  
OLSON